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SUBJECT: VENEZUELAN-RUSSIAN COOPERATION

REF: IIR 69020509

Classified By: Abelardo A. Arias, Political Counselor, for Reason 1.4(d)  
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Summary  
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1. (C) Venezuelan Vice-President Jose Vicente Rangel led a delegation to Moscow from October 2-6 for the first meeting of the High-Level Russo-Venezuelan Intergovernmental Commission (CIAN). Rangel discussed joint efforts to combat international terrorism and military-technological cooperation with Russian Deputy Prime Minister Alexander Zhukov and Secretary of the Russian Security Council Igor Ivanov according to press reports. The Venezuelan delegation also discussed energy, mining, trade, scientific and cultural exchanges. The joint declaration signed on October 5 was a general agreement, according to the Russian Embassy in Caracas, for future economic cooperation. Russian Emboff confirmed that planning continues for a visit to Russia by President Hugo Chavez in November 2004. GOV-Russia cooperation suits the GOV because it signals the GOV's ability to deal with major non-U.S. powers; to emphasize non-U.S. sources of military equipment; and as a signal of independence. End Summary.

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Economic Cooperation  
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2. (C) Vice-President Jose Vicente Rangel led a 34-person delegation to Moscow from October 2-6 for the first official meeting of the High-Level Russo-Venezuelan Intergovernmental Commission (CIAN). According to Mikhail Babich, a political and cultural attache at the Russian embassy, the purpose of this meeting was to increase economic activity between the two countries. Babich said Russia and Venezuela had signed an agreement regarding their intentions to increase economic cooperation in 2001, but the political turmoil in Venezuela had delayed the first meeting for years. Babich asserted that Chavez perceives Russians to be fellow "revolutionaries" and an alternative to U.S. power (with India and China), so interest in political engagement between the two countries is high.

3. (C) Russian Deputy Prime Minister Alexander Zhukov told reporters Russian companies were interested in greater cooperation with Venezuela, and that various projects existed that could act as engines to drive bilateral relations. Zhukov cited the Russian Aluminum Company (RusAl) intention to invest approximately \$1 billion in the construction of an aluminum refining plant in Venezuela. Babich confirmed that RusAl intended to invest at least \$500 million in the refining plant as RusAl president and owner, Oleg Deripaska, told reporters. Zhukov also asserted that Russian companies want to establish hydroelectric energy plants in Venezuela to increase cooperation.

4. (C) Babich said that during the meetings, Venezuelan officials and Russian representatives discussed oil and gas cooperation. LUKOIL and Gazprom were two companies specifically mentioned. LUKOIL first vice-president, Ravil Maganov, told reporters he discussed a joint venture with the Venezuelan oil company, PDVSA, with the Venezuelan delegation on the basis of a memorandum of understanding signed by LUKOIL and PDVSA in December 2003. According to press reports, Venezuela and Russia also discussed Russia's entry into the World Trade Organization (WTO), of which Venezuela is a member.

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Military Cooperation  
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5. (C) Rangel and Secretary of the Russian Security Council Igor Ivanov discussed cooperation in military-technology and combating international terrorism, according to press reports. DAO reported nine Venezuelan officers representing all the services traveled to Moscow to attend CIAN from October 1-10 (reftel). A DAO source said, "It will be no

surprise if Venezuela comes out of this intergovernmental commission with more equipment purchases in all services of

the armed forces." In the agreement signed on October 5, the mention of military cooperation was limited to "develop and strengthen cooperation" based on the May 2001 convention between the two countries.

16. (C) Rangel and the Venezuelan ambassador to Russia, Carlos Mendoza, both confirmed that Venezuela bought Russian helicopters; the first 10 of which are to be delivered to Venezuela before the end of 2004 rather than by mid-2005 as previously reported. In statements to the press, Rangel said the helicopter purchase for MI-17, MI-26 and MI-35 had been underway already and that at no time was the purpose of his trip to Moscow to sign arms contracts because, "Arming the military is the Defense Ministry's responsibility." Babich could not confirm if the helicopter contract had already been signed, but noted that a contract for 40-50 helicopters "was going to happen." Babich said he had no information about a contract for Russian fighter aircraft.

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Future Meetings  
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17. (C) A note from the Vice-President's office indicated that President Hugo Chavez would travel to Russia on November 25-26 to sign the Cooperation Accord between the two countries in regards to energy, petroleum, education, military-technical and aerospace cooperation. Babich confirmed the possibility of a Presidential visit and said that Russia would use the opportunity to agree on more specific cooperation goals rather than signing a general agreement as they did in the October joint declaration.

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Comment  
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18. (C) Now that the recall referendum is water under the bridge for the GoV, it is turning its attention to external relations beyond the confines of the Western Hemisphere. The first major foray was Foreign Minister Jesus Perez's trip to Iran, India and China, now followed by Vice-President Rangel's visit to Russia. Talks between Russia and Venezuela languished during the nearly two years of pre-referendum political turmoil with the exception of a brief stop-over by then Foreign Minister Ivanov in December 2003 followed by an equally brief visit by Vice-President Vladimir Yakovlev in January 2004. Although there appear to be a number of big ticket economic items on the agenda, the helicopter deal has garnered the most public attention, and paves the way for a broader military-to-military relationship between the countries. The Rangel visit--and the inclusion of three Venezuelan Air Force generals in the delegation--will, along with the helo deal fuel speculation about Venezuela's procurement from Russia of advanced fighter aircraft. For the time being only the helicopter purchase appears to be a reality.

McFarland

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